

Item 1 – Cover Page

EII Realty Securities, Inc.

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March 30, 2017

This Brochure provides information about the qualifications and business practices of EII Realty Securities, Inc. (“EIIRS” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Michael Meagher, Chief Compliance Officer, at (212) 735-9578. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

EIIRS is a registered Investment Adviser. Registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Investment Adviser provide you with information about which you determine to hire or retain an Investment Adviser.

Additional information about EIIRS also is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for EIIRS is 106687.

Item 2 – Material Changes

The following is a summary of our material changes made since our last annual update dated March 29, 2016:

Item 4

EIIRC FIA LLC, an affiliate of EIIRS and a wholly owned subsidiary of EII Realty Corp, was founded in 2016. It has been added to the list of affiliated entities in Items 4 and 10.

EII has closed down its European sales and client service office located in Munich, EII Capital Management AG.

Please contact Michael Meagher, Chief Compliance Officer, at (212) 735-9578 to obtain a free copy of our Brochure.

Additional information about EII Realty Securities, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov.

Item 3 - Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management	6
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9 – Disciplinary Information	9
Item 10 – Other Financial Industry Activities and Affiliations	9
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading	10
Item 12 – Brokerage Practices	12
Item 13 – Review of Accounts.....	16
Item 14 – Client Referrals and Other Compensation.....	18
Item 15 – Custody	18
Item 16 – Investment Discretion	19
Item 17 – Voting Client Securities.....	19
Item 18 – Financial Information.....	20

Item 4 – Advisory Business

EII Realty Securities, Inc. (“EIIRS”) is an independent registered Investment Adviser providing global real estate securities portfolio management services primarily to US and Canadian institutions. The Firm is a wholly owned subsidiary of EII Capital Management, Inc. (“EII”), which is also a registered Investment Adviser (SEC file #801-19755). EII is owned by EII Capital Holding, Inc., which was founded in 1983 and is majority owned by EII’s Chief Executive Officer and Co-founder Christian Lange. The Firm maintains offices in New York City, London and Singapore. As of December 31, 2016, EIIRS managed \$167,660,116 on a discretionary basis.

EIIRS was founded in 1993 and is one of eight affiliated companies that are wholly owned subsidiaries of EII Capital Holding, Inc.: 1) EII Capital Management, Inc. is a registered Investment Adviser providing global real estate securities portfolio management services to offshore (non US/Canadian) entities; 2) EII MFM LLC is a “relying adviser” with respect to its affiliate EII Capital Management, Inc. and is the Investment Adviser to a privately offered real estate fund; 3) EIIRC FIA LLC is also a “relying adviser” with respect to its affiliate EII Capital Management, Inc. and is the Investment Adviser to another privately offered real estate fund; 4) EII Real Estate Securities Advisors Limited is the Manager to the EII Properties Funds, our proprietary offshore funds; 5) EII Realty Corp. is our private real estate advisory company; 6) EII Capital Management Pte. Ltd. is our Asian research base and 7) EII Capital Management LTD. is our European research base.

EIIRS focuses on investing in both U.S. and non-U.S. companies whose business is to own, operate, develop and manage real estate and EIIRS’ advice is typically limited to these types of investments. The primary emphasis is on real estate investment trusts (“REITs”) or REIT-like structures that are “principally engaged” in the ownership, construction, management, financing or sale of residential, commercial or industrial real estate. “REITs” are defined as companies that are permitted by local regulations to avoid payment of taxes at the corporate level by paying out a substantial portion of income to shareholders as dividends. “Principally engaged” means that at least 50% of a company’s revenues are derived from such real estate activities or at least 50% of the fair market value of a company’s assets is invested in real estate.

EIIRS offers a variety of investment strategies which are available via separately managed accounts or via the Firm’s proprietary mutual funds. Strategies include Global Real Estate Securities, International Real Estate Securities, US REITs, US REIT Income and Asian Real Estate Securities.

In addition, EIIRS provides investment advisory services for its own proprietary mutual funds, as well as providing advisory services for clients in the form of separately managed accounts.

EII enters into foreign currency transactions for the majority of their client accounts, unless the client wishes for this to be performed by their chosen custodian. EIIRS offers discretionary and non-discretionary investment management services to clients. Depending on their investment objectives, clients have the ability to select from a number of investment strategies offered by the Firm. Investment guidelines and restrictions are determined jointly by the Firm and the client at the onset of the relationship. Clients' assets can be managed in separately managed accounts or by investing in a number of proprietary mutual funds.

EIIRS proprietary mutual funds include the following:

E.I.I. Realty Securities Fund
E.I.I. International Property Fund
E.I.I. Global Property Fund

Item 5 – Fees and Compensation

Management Fee

Management fees with respect to separately managed accounts can be subject to negotiation.

The specific manner in which fees are charged by and paid to EIIRS are fully documented in the client's written Investment Management Agreement with the Firm.

Separately managed account clients are always invoiced directly for investment management services. Fees are never debited from the client's account nor are any fees billed in advance as all fees are billed in arrears. Management fees are calculated based on a percentage of the market value of assets under management.

The standard fee schedule typically charged for a **U.S. REIT** separately managed account is:

Assets Under Management	Fee
First \$10 Million	0.75%
Above \$10 Million- \$30 Million	0.65%
Above \$30 Million -\$50 Million	0.50%
Above \$50 Million	0.40%

The standard fee scheduled typically charged for a **Global, Asia or International Real Estate Securities** separately managed account is:

Assets Under Management	Fee
First \$10 Million	1.00%
Above \$10 Million- \$30 Million	0.90%
Above \$30 Million -\$50 Million	0.75%
Above \$50 Million	0.65%

The standard fee schedule typically charged for a **REIT Income** strategy separately managed account is:

Assets Under Management	Fee
First \$1 Million	1.00%
Above \$1 Million - \$5 Million	0.75%
Above \$5 Million - \$10 Million	0.625%
Above \$10 Million	0.50%

Subject to negotiation and proper documentation, separately managed accounts can be charged a basis point fee. Clients are billed for investment advisory services in arrears at

the end of a calendar quarter for the three-month period then ended. Payment is due within thirty days of billing.

Amounts greater than \$2,000 can be invested in the Investor Class shares of E.I.I. Realty Securities Fund while amounts greater than \$100,000.00 can be invested in the Institutional Class shares of E.I.I. Realty Securities Fund, E.I.I. International Property Fund, or the E.I.I. Global Property Fund (“mutual funds”). Each Fund is a series of the E.I.I. Realty Securities Trust (“EII Realty Trust”), which is an open-end managed investment company. The management fees for these mutual funds, as discussed in EII Realty Trust’s prospectuses, are:

E.I.I. Realty Securities Fund	
Share Class	Fee
Institutional & Investor Class	0.75%

E.I.I. International Property Fund	
Share Class	Fee
Institutional Share Class	0.75%

E.I.I. Global Property Fund	
Share Class	Fee
Institutional Share Class	0.75%

The direct total expenses are capped at 1% of net assets for the E.I.I. International Property Fund and the E.I.I. Global Property Fund, while the direct total expenses are capped at 0.80% on the Institutional Class shares of E.I.I. Realty Securities Fund and 1.05% on the Investor Class shares of E.I.I. Realty Securities Fund. A full discussion of the applicable fee schedules of any of the mutual funds indicated herein is contained in EII Realty Trust’s prospectuses.

Redemption and Termination

Clients invested through separately managed accounts can be charged a fee based on performance if requested by the client and agreed to by the Firm. Performance fees are subject to negotiation and are discussed further in Item 6. All separately managed account clients will need to remit fees as referenced in the Investment Management Agreement. Some custodians will remit fee payments directly to EIIRS after receiving instructions from the client directly.

Generally, investment management services provided by EIIRS are terminable by either party upon 30 days prior written notice, unless otherwise specified by the terms of the Investment Management Agreement. In the case of any termination, management fees will be determined on a pro rata basis through the date of termination.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

Fees Charged to Employees

Although EIIRS does not have the ability to waive mutual fund fees for its employees, the Firm can choose to allow its employees to invest in our proprietary mutual funds for an amount below the minimum required investment stated in the EII Realty Trust's prospectus.

Other Fees and Expenses

The Firm's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients can expect to incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by other managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Item 12 further describes the factors that EIIRS considers in selecting broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commission rates).

Item 6 – Performance-Based Fees and Side-By-Side Management

As referenced previously, EIIRS has the ability to enter into a performance-based fee arrangement with a client invested through a separately managed account.

Performance-based fee arrangements can create an incentive for the Firm to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements can also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

EIIRS has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

EIIRS offers investment management services to a diverse group of institutions, including public and corporate pension funds, investment companies, other investment advisers, endowments, foundations, Taft-Hartley plans, state and municipal government entities, bank and charitable organizations as well as high net worth individuals and families. EIIRS also has the ability to manage accounts for pooled investment vehicles or act as a sub-investment manager or sub-advisor to other (non-proprietary) mutual funds.

The customary minimum portfolio amount considered for institutional discretionary real estate securities portfolio management is \$20,000,000. Smaller amounts are generally directed into the appropriate proprietary mutual fund. Minimum portfolio amounts are subject to negotiation on a case by case basis.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

EIIRS manages clients' and proprietary mutual funds' portfolios utilizing real estate investment strategies. The Firm identifies investments through research-driven fundamental analysis. Generally, the Firm is benchmark unconstrained as its investment decision-making process tends to review all real estate and any other holdings equally and will look to benchmarks as a barometer for investment risk control management.

Investment Methodology and Strategy

Research Process and Portfolio Construction

The Firm employs a top-down and bottom-up approach in its investment analysis. The investment team consists of the Global Portfolio Manager and Research Analysts, located in our New York, London and Singapore research offices. They incorporate both qualitative and quantitative inputs and integrate a top-down macro perspective with bottom-up fundamental company analysis to identify the most appropriate securities to include in an investment portfolio.

The team continually monitors investments and will add or reduce exposure to certain securities held in the client's portfolio when it is deemed appropriate.

Types of real estate securities under consideration include, but are not limited to, office buildings, shopping centers and malls, apartments, industrial buildings and hotels. The investment team's considerations include, but are not limited to, the quality and location of the property, the strengths of the company's management, business strategy, competitive advantages and financial strength. In addition, other factors such as the company's market capitalization, liquidity and dividend yield are considered.

Risk Management

EIIRS' portfolio construction process is designed to mitigate risk. Diversifying holdings across regions, countries and sectors are some of the methods utilized in the Firm's risk management process.

In addition, valuation tools such as the company's discount/premium to net asset value, earnings multiples, cash flow and leverage are monitored and analyzed.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

EIIRS primarily invests in listed real estate securities. As such, EIIRS' investments will be subject to the risks inherent in the ownership of real property and equities. Real estate values are affected by a number of factors, including changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties, financial condition of tenants, buyers and sellers of properties, quality of maintenance, insurance and management services, and changes in operating costs. Real estate values are also affected by such factors as government regulations (including those governing usage, improvements, zoning and

taxes), interest rate levels, the availability of financing, potential liability under changing environmental and other laws, uninsured casualties, the exercise of the right of eminent domain by governmental entities, acts of God and other factors that are beyond the control of EIIRS. Accordingly, clients who retain the Firm to manage their assets may experience a greater degree of risk compared to having an Investment Adviser employing an asset diversification investment strategy.

EIIRS looks at market risk based on the political, economic and real estate fundamental factors associated with investing in a specific region, country or city. Setting broad diversification guidelines as a form of risk control, EIIRS adds risk premiums to companies operating in emerging markets and with significant development components. The Firm seeks to control risk by generally focusing on companies with conservative balance sheets, high quality assets and experienced management teams.

Depending on the chosen strategy, EIIRS may choose to make investments outside the U.S. Such investments involve risks and special considerations some of which are not typically associated with U.S. investments. These include political risks, economic risks, legal risks, foreign currency and exchange risks, accounting and tax risk, restrictions on repatriation of capital and profits and different tax requirements.

Each of EIIRS' investment strategies could be deemed as a speculative investment and are not intended as a complete investment program. They are designed only for clients and investors who are able to bear the economic risk of the loss of their investment and can afford to be a "long-term investor".

There are special risks associated with investing in preferred equity securities, including deferred securities. Preferred securities can include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. Some preferred stocks are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. There is no assurance that dividends or distributions on noncumulative preferred stocks will be declared or otherwise made payable. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments. Preferred securities can be substantially less liquid than many other securities, such as common stocks or U.S. government securities. Generally, preferred security holders have no voting rights with respect to the issuing company. In certain varying circumstances, an issuer of preferred securities may choose to redeem the securities prior to a specified date.

Item 9 – Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of the Firm’s management.

EIIRS does not have any disciplinary information applicable to this Item to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

EIIRS has relationships with the following affiliated entities:

The parent company, EII Capital Management, Inc., is also a registered Investment Adviser (SEC file #801-19755) providing global real estate securities portfolio management services to offshore (non US/Canadian) entities. The Firm’s and EII’s investment committee generally consists of the same members of both Firms with respect to real estate securities.

EII MFM LLC and EIIRC FIA LLC are “relying advisers” with respect to their affiliate EII Capital Management, Inc., a registered Investment Adviser under the Advisers Act. Each entity is a wholly owned subsidiary of EII Realty Corp. and serves as the Investment Adviser to their respective privately offered real estate fund.

EII Realty Corp. (“EII Realty”) provides U.S. direct real estate advisory services to its clients. From time to time, EII Realty may provide investment advice on private partnership investments or private company investments. EII Realty Corp may on occasion, arrange real estate transactions whereby it is compensated with profit participation in addition to standard management, closing and administrative fees. In addition, EII Realty is also a licensed real estate broker in the State of New York.

E.I.I. Realty Securities Trust is an investment company registered with the Securities and Exchange Commission (SEC File No. 811-08649). The Firm is the Investment Adviser to the Trust. E.I.I. Realty Trust provides administrative services to the E.I.I. Realty Securities Fund, E.I.I. Global Property Fund and E.I.I. International Property Fund. EIIRS will receive monthly investment advisory fees, as well as administrative fees as further described in EII Realty Trust’s prospectuses.

EII Real Estate Securities Advisors Limited is a limited company registered in Dublin under the Companies Act and is the Manager to the EII Property Funds.

EII Capital Management LTD. is a United Kingdom based entity located in London and provides real estate securities advisory services to the Firm as its only client.

EII Capital Management Pte. Ltd. is a Singaporean entity located in Singapore and provides real estate securities advisory services to the Firm as its only client.

EIIRS' affiliated entities' offices in London and Singapore provide research related services to EII Realty Securities, Inc. The Singapore office also has one marketing/client services representative on staff.

EII has entered into a Distribution Services Agreement with Foreside Funds Distributors LLC which allows our employee to be a Registered Representative of the Distributor. This employee currently has his Series 63 and 7 licenses, and therefore he has the right to distribute prospectus and marketing materials relating to EIIRS' mutual funds, to the Registered Investment Advisor Channel and Institutional Investors, but not individual investors. This individual is supervised by the Distributor, who is acting as the Principal to supervise this Registered Representative. As a result of this arrangement, the aforementioned employee can be perceived as having an incentive to recommend EIIRS' mutual funds to clients. However, this conflict of interest is mitigated by the fact that the employee does not receive any additional compensation for the sale of EIIRS' mutual funds. All costs associated with the distribution of these mutual funds are borne exclusively by EIIRS.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

EIIRS has adopted a Code of Ethics (the "Code") designed to address and prevent potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act. The Code of Ethics describes the Firm's high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes, among other items, provisions relating to the confidentiality of client information, prohibitions on insider trading, prohibitions on spreading rumors, restrictions on the acceptance of extravagant gifts and entertainment, the reporting of certain gifts and business entertainment, and personal securities trading procedures. All supervised persons at the Firm must acknowledge annually the terms of the Code of Ethics.

From time-to-time, the Firm's supervised persons transact in or hold the same securities as clients. In these situations, the Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of the Firm will not materially interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities and transactions have been designated as exempt securities or transactions, based upon a determination that these

would materially not interfere with the best interest of clients. The Code requires pre-clearance of certain transactions and restricts trading in close proximity to client trading activity. In addition, in order to prevent supervised persons from inappropriately profiting from effecting personal securities transactions and to prevent the appearance of impropriety as a result of the supervised persons effecting personal securities transactions based on clients' transactions, the Code has a forfeiture of profit rule for securities purchased and sold or sold and purchased by supervised persons within a certain period of time. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from a client's activity in a security held by an employee.

Employee trading is monitored by the Compliance Team to reasonably detect and prevent conflicts of interest between EIIRS and its clients.

Among others requirements, the Code requires supervised persons to:

- Submit to the Compliance Team an initial and an annual report listing their securities holdings and a quarterly report of transactions;
- Pre-clear personal securities transactions, other than those specifically exempted by the Code, by the Compliance Team;
- Not buy or sell a security within 1 calendar day before and 5 calendar days after a client trades in the particular security ("Blackout Period");
- Provide duplicate copies of confirmations of all personal securities transactions and copies of periodic statements for all securities accounts to the Compliance Team for review (unless a specific exemption set forth in the Code applies);
- Obtain approval from the Compliance Team prior to investing in IPOs and Private Placements (limited offerings);
- Comply with the federal securities laws, certify that they have read and understand the Code and report any violations of the Code to the Compliance Team;
- Not trade either in their personal accounts or on behalf of client accounts on the basis of material non-public information; and
- Report any outside business activities and ensure they are not using their position for a personal benefit.

Employees who violate the Code and the Firm's Compliance Manual are subject to disciplinary action including, but not limited to, written warnings, fines and termination of employment.

EIIRS will provide a complete copy of its Code of Ethics to any client or prospective client upon request made to Michael Meagher, Chief Compliance Officer.

From time-to-time, affiliated accounts that are managed by EII and EIIRS trade in the same securities with client accounts on an aggregated basis. In such circumstances, affiliated and client accounts will share commission costs equally and receive securities at a total average price. In the event that the aggregated order is partially filled, the Firm will generally allocate the partially filled order pro rata to the clients, including affiliated accounts.

From time to time EIIRS, its officers, directors, employees and affiliates can have an ownership interest in one or more of the mutual funds or a related entity, can have the initial investment minimums otherwise charged to investors waived and can have positions or interests in securities which are purchased or sold on behalf of clients. Such conflicts are mitigated by our employee trading policies outlined in the Firm's Code of Ethics. EIIRS will always endeavor to resolve conflicts of interest with respect to investment opportunities in a manner which it deems equitable to clients and their investors under the prevailing facts and circumstances.

From time-to-time, various potential and actual conflicts of interest arise from the investment advisory activities of the Firm, its employees and affiliates. The Firm, its employees and affiliates may choose to give advice to, or take action for, their own accounts or other clients that can differ from, conflict with or be adverse to advice given or action taken for a client or clients.

See Item 12 for information with respect to Principal and Agency Cross Transactions.

Item 12 – Brokerage Practices

Broker Selection

Generally, EIIRS selects broker-dealers through which to effect transactions on the basis of best execution. "Best execution" does not simply mean effecting transactions at the lowest possible commission rate, transaction costs and price, but includes a number of factors mentioned herein.

EIIRS seeks to effect transactions at a price, commission and transaction cost (e.g., mark-up or mark-down) that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. The Firm considers various factors when selecting broker-dealers including, but not limited to, the nature of the portfolio transaction, the size of the transaction, the broker's trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities, willingness to commit capital, access to a particular trading market, security conditions (e.g., liquidity, volatility), and the value of research it provides.

EIIRS has discretion to determine, without obtaining prior consent from any client, the:

- broker or dealer to execute transactions; and
- commission rates or commission equivalents charged for effecting transactions.

Clients' transactions can involve specialized services on the part of a broker-dealer, which can justify higher commissions (and mark-ups or mark-downs) than would be the case for more routine services.

Periodic evaluation of broker relationships are made by the Firm to determine the appropriateness of commissions paid and services received.

Cross-Trades

From time-to-time, the Firm may choose to effect a purchase of a security for one or more clients at the same time as it effects a sale of the same security for another client as allowed by the terms of each client's Investment Management Agreement. Such transactions may occur to rebalance the positions held in clients' portfolios in order to achieve uniform results among clients, to take into account clients' cash flows or to comply with investment guidelines and restrictions, and will generally be effected at the volume-weighted-average-price ("VWAP"), the closing price for the security or some other fair and reasonable basis.

Research and Brokerage Services

As is customary industry practice, broker-dealers provide their own proprietary research to Investment Advisers, including the Firm. Generally, commissions and other transaction costs (e.g., "mark-ups" and "mark-downs") paid to these broker-dealers to execute transactions include the cost to receive their proprietary research and other brokerage services.

EIIRS obtains third-party research products and services paid for with clients' commissions ("Soft Dollars"). Using the Firm's clients' commissions to pay for research creates an inherent conflict of interest between the Firm and clients as the Firm would have to otherwise use its own funds to obtain this research product or service. In addition, while the Firm uses this research to benefit all of its clients in its investment decision-making or trade execution process, clients whose commissions are used to pay for the research may not necessarily receive the direct benefit of this research or brokerage services while clients who do not pay for these services may receive the benefit. Soft Dollar commission rates can be higher than commission rates that might be charged by other broker-dealers to execute the transaction.

The Firm's Soft Dollar Committee, consisting of the Firm's Chief Operating Officer, Head Trader, Chief Financial Officer, Chief Compliance Officer and Compliance Officer, Global Portfolio Manager and members of our Accounting Team typically meet quarterly to review and approve research products and services the Firm receives and pays for with Soft Dollars. Research services obtained with Soft Dollars can include written information and analyses concerning specific securities, companies or sectors, market, financial and economic studies and forecasts, statistics and pricing or appraisal services, and access to research analysts and company executives, along with software, data bases and other technical and telecommunication services utilized in the investment management process.

EIIRS utilizes the services of an independent third party, Westminster Research Associates ("Westminster Research"), to administer the Firm's Soft Dollar program. Westminster Research specializes in independent research products and services, consolidating all administration and reporting of commission management needs with one firm. Utilizing Westminster Research provides an added layer of due diligence of the soft dollar process, as they will not accept or approve of a soft dollar expense allocation unless it meets the SEC safe harbor guidelines. It also mitigates the potential conflicts of interest regarding best execution due to the Investment Adviser's interest in receiving the research, other products or services when selecting a broker-dealer.

Because EII and EIIRS share a common trading desk and investment professionals occupy similar positions in both companies, the Firm believes that by aggregating trade orders for their respective clients and by utilizing their respective clients' commissions for Soft Dollars are both reasonable and appropriate. Despite the inherent conflicts of interest that can arise when utilizing soft dollars, this risk is mitigated by the oversight of EIIRS' Soft Dollar Committee as well as through the use of Westminster Research as a conduit to receive soft dollar credits.

Aggregation and Allocation

EIIRS, at its discretion, aggregates orders in the same security for clients transacting in that security and will generally allocate the securities or proceeds arising as a result of the transactions (and the related transaction expenses) on an average price basis among the clients participating in the order. From time-to-time, EIIRS includes orders for the same security that its affiliate, EII, is transacting in for its clients. In these situations, the respective clients of the EIIRS and EII in the order will generally receive an allocation, on a pro rata basis, of the securities or proceeds (and the related transaction expenses) on an average price and transaction cost basis.

The Firm believes that aggregating orders contribute to its ability to provide best execution. Commission rates and transaction costs can be reduced as a result of such aggregation. However, in certain instances, average pricing can result in higher or lower total net execution price than otherwise obtainable by effecting client transactions separately.

It is the Firm's routine practice to aggregate contemporaneous trade orders for the same securities. We believe that generally this practice results in lower commissions and better execution prices. Each account participates in such aggregate order at the average price except in cases when, due to limitations on the liquidity of a security, multiple transactions are necessary to complete a buying or selling program. To reduce custodial costs to clients in such cases, we allocate trades according to allocation rules based on a percentage of holdings of each account in the individual security, sector or overall cash position. The proration may be adjusted to eliminate odd lots and de minimis positions. This may cause some accounts, particularly those that are eliminated from allocations to avoid de minimis positions in their accounts, to perform not as well as other, similarly managed accounts.

Directed Brokerage

With EIIRS' consent, clients have the ability to direct the Firm to effect some or all of their transactions with certain broker-dealers. In the event that the Firm agrees to accept the client's directed brokerage instructions, clients should be aware that the Firm may not be able to obtain best execution for their transactions and may receive less favorable prices and pay a higher commission rate for executing these transactions. Generally, directed trades will be executed subsequent to the execution of non-directed trades which may result in the client realizing a less favorable (or more favorable) execution price. However, when feasible and at the discretion of the Firm, the trading desk may aggregate directed trades with non-directed trades for execution and "step out" the directed broker client's trades to that broker. In such cases, clients that provide directed brokerage instructions will receive the same average price as the other clients in the aggregation.

Trade Errors

From time-to-time, a trade error can occur. Trade errors can happen as a result of effecting the incorrect amount of shares (e.g., 10,000 shares were purchased when the intention was to purchase 1,000 shares), effecting transactions in the wrong client account, and mistakenly labeling an order to buy shares as an order to sell shares, among other reasons. When trade errors occur, the Firm's policy is to correct the error promptly. In the event that the Firm caused the error, the Firm will make the client whole for the loss unless the equities of the situation cause an unjust enrichment for the client. If the client caused the

error (e.g., the client advised the Firm that a certain amount of funds would be wired to the account on a certain day but a substantially smaller amount was wired or the funds were not wired and the Firm acted upon the client's advice), the client will bear the cost of the error. If a third-party caused the error (e.g., the Firm properly gave trade instructions to a broker-dealer but the broker-dealer executed the order incorrectly), the Firm will take steps to collect from the third-party the amount of the error; however, there is no guarantee that the Firm will be successful recuperating such funds, in which case the client will bear the loss.

Principal and Agency Cross-Transactions

"Principal transactions" are generally defined as transactions where an Investment Adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction can also be deemed to have occurred if a security is crossed between an affiliated fund and another client account.

An "agency cross transaction" is defined as a transaction where a person acts as an Investment Adviser in relation to a transaction in which the Investment Adviser, or any person controlled by or under common control with the Investment Adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions can arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

EIIRS is neither registered as, nor is affiliated with, a securities broker-dealer.

Item 13 – Review of Accounts

Account Reviews

Clients' accounts are reviewed by members of the Investment, Operations, Trading and Compliance Teams. Those participating in these functions would include the Head of Operations, Chief Compliance Officer and members of the Compliance Team. Daily monitoring of accounts is performed to verify, among other things, client transactions, the receipt and disbursement of funds, and compliance with clients' investment guidelines and restrictions.

In addition, the Firm's internal accounting records for each client are reconciled against the clients' custodial statements on a daily or monthly basis by members of the Operations Team. EIIRS has established data information links with various custodians to facilitate the reconciliation of portfolios. Transactions are updated into the account portfolio

management system and cash reports are signed off by the administrator. The Operations Team conducts research and verifies discrepancies whether it is due to prices, foreign exchange rates, pending trades, corporate action events, accruals, expenses or other reconciliation items. Tolerance levels have been set-up for Domestic, International and Global separate accounts, where if an account is above the tolerance level, a senior member of the Operations Team will also review and sign off on the portfolio reconciliation.

Client Reports

We report to our clients on a calendar quarterly cycle. Our standard reporting package includes the client account summary, portfolio holdings and performance reports. We also provide a one-page snapshot of the account with portfolio statistics such as Top Ten holdings, Country/Sector Allocation and Current Dividend. The Global Portfolio Manager and Real Estate Strategist write quarterly reviews that are also included in the package. Less formal monthly updates are also available upon request. These can be provided via hard copy and/or electronic reporting.

We generally do not differentiate between separately managed account and fund clients for reporting and account review purposes. On the investment side, we generally offer our clients the opportunity to have a quarterly review meeting or conference call. Client needs and expectations are discussed at the onset of the relationship and meetings are scheduled accordingly. Our investment review meetings consist of a performance review, highlights of changes that took place in the portfolio during the period in question as well as our market outlook. Clients invested in our mutual funds receive a quarterly fund fact sheet that provides information specific to the fund itself and is not customized at the client level. Various members of our Investment and Client Services Teams participate in client investment review meetings.

Any day-to-day issues or ad-hoc requests are dealt with immediately and are followed up on as required.

Clients generally receive written account statements from their respective custodian as well as the Firm on a quarterly basis. Clients are encouraged to compare the statements provided by EIIRS to their custodial statements and notify their custodian and the Firm should discrepancies appear.

See Item 15 for additional information with respect to custody of assets.

Item 14 – Client Referrals and Other Compensation

The Firm has not entered into any arrangement under which it receives any economic benefit, including sales awards or prizes, from a person who is not a client for providing advisory services to clients.

Certain of EII employees hold positions with one or more unaffiliated entities where someone who is not a client provides an economic benefit to the employee for providing investment advice or other services, for which they are compensated by that individual or entity. In these cases, a separate business arrangement would exist between the employee and an individual or entity, which is separate and apart from any duties the employee fulfills for the Firm and falls outside of the confines of the Firm. In certain instances, these individuals or entities can be clients of the Firm. We do not view this as a material conflict of interest as the employee's role is documented and should there be any potential conflicts of interests, they would be addressed within our policies and procedures.

Item 15 – Custody

EIIRS does not retain custody of separately managed account clients' assets. These assets are held by their respective qualified custodian of their own selection. The proprietary mutual funds' assets are held by custodians selected by the respective proprietary mutual fund.

For separately managed accounts, EIIRS statements can vary from custodial statements based on accounting procedures, reporting dates and valuation methodologies of certain securities.

The qualified custodian is responsible for, among other things, opening and maintaining a custody account or accounts in the name of the client and holding and administering all assets of the client as shall be deposited by the client from time to time with and accepted by the custodian. Pursuant to custodial agreements, each custodian will clear the respective clients' securities transactions which are effected through other brokerage firms. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets.

EIIRS urges clients to carefully review such statements and compare these records to the account statements that we may provide to you.

Item 16 – Investment Discretion

Investment Discretion

As an Investment Adviser, EIIRS is typically granted discretionary authority pursuant to the Investment Management Agreement with a client to determine which securities and the amounts of securities to be bought or sold, as well as the broker-dealer to be used and the commission rates to be paid.

EIIRS generally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Subject to the Firm's consent, clients may choose to provide specific investment restrictions and guidelines (e.g., limitations on security exposures). In all cases, however, the Firm exercises such investment discretion in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining the amounts of securities to be bought or sold, EIIRS seeks to comply with the investment policies, limitations and restrictions of the clients.

Investment guidelines and restrictions must be provided to the Firm in writing and must be agreed to by both parties.

Item 17 – Voting Client Securities

The Firm has implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 of the Investment Advisers Act.

This Rule generally requires the Firm to (i) adopt policies and procedures reasonably designed to ensure that proxies with respect to securities in the clients' accounts where we exercise voting discretion are voted in the best interest of our clients; (ii) to disclose how information may be obtained on how we vote proxies; and (iii) to maintain records relating to our proxy voting.

Clients have the ability to request EIIRS to vote proxies on their behalf. Such delegation of proxy voting authority will be reflected in the written Investment Management Agreement between the client and the Firm.

EIIRS utilizes ISS Governance Services ("ISS") to provide both research analysis, with respect to proxy vote items, as well as process voting ballots. Generally, the Firm's Proxy Voting Policy is to vote proxies according to ISS' "Public Fund Guidelines" policy and

recommendations except in those instances where the Firm determines to override ISS' recommendations based on its own analysis.

From time-to-time, conflicts may arise between EIIRS and clients with respect to proxy voting issues. For example, EIIRS Global Portfolio Manager may own securities held by clients and may have a different position than ISS on how to vote proxies for that security. When conflicts appear, the Firm's policy is to follow ISS' recommendation with respect to how to vote the proxy.

Clients can choose to retain the right and responsibility for receiving and voting their own proxies. In such case, the Investment Management Agreement will reflect that the client will retain responsibility to vote proxies and clients will receive their proxies and other solicitations directly from their custodians. Clients can contact the Firm if they have questions about a particular proxy solicitation by contacting Client Services representative.

Clients can obtain a copy of EIIRS' Proxy Voting Policy upon request. Clients can also obtain information with respect to how the Firm voted proxies on behalf of their account(s) by contacting Michael Meagher, Chief Compliance Officer, at (212) 735-9578.

Item 18 – Financial Information

EIIRS does not have any financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients. In addition, the Firm has not been the subject of a bankruptcy proceeding.